

Message Text

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INFO AMEMBASSY BERLIN

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AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY MOSCOW

AMEMBASSY PRAGUE

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AMEMBASSY PARIS

AMEMBASSY VIENNA

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SUBJECT: BULGARIAN CURRENCY REVALUES AGAIN; TOURIST PREMIUM
IS ELIMINATED

REF: SOFIA 2011 OF 11/5/74

1. SUMMARY: EFFECTIVE NOVEMBER 1 THE TOURIST EXCHANGE
RATE FOR BULGARIAN LEVA HAS BEEN ELIMINATED AND THE
LEVA HAS BEEN IN EFFECT REVALUED FROM \$1US EQUALS 1.20
LEVA TO 0.964 LEVA. THIS DEVELOPMENT, WHICH AFFECTS
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ALL HARD CURRENCY COUNTRIES INCLUDING YUGOSLAVIA, EFFEC-

TIVELY DEVALUES THE DOLLAR BY APPROXIMATELY 25 PERCENT
IN RELATION TO THE LEVA. END SUMMARY.

2. BULGARIAN FOREIGN TRADE BANK HAS ANNOUNCED
THAT EFFECTIVE NOVEMBER 1, 1975, DOLLAR EXCHANGE FOR
LEVA IS TO BE MADE AT THE OFFICIAL (OR COMMERCIAL)
RATE NOW DEFINED AS \$1US EQUALS 0.964 LEVA. PREVIOUSLY
OFFICIAL RATE HAS BEEN VALUED AT \$1US EQUALS 0.97 LEVA
AND THE RATE WITH TOURIST PREMIUM AT \$1US EQUALS 1.20.
NOVEMBER 1 MARKS THE FIRST ANNIVERSARY OF BULGARIA'S
LAST REVALUATION FROM 1.65 TO 1.20 LEVA EQUALS \$1US.
THE TOURIST PREMIUM HAS ALSO BEEN ELIMINATED FOR ALL
WESTERN CURRENCIES AND THE YUGOSLAV DINAR.
BULGARIA'S EXCHANGE RATE VIS A VIS THE CEMA COUNTRIES,
VIETNAM, CHINA, AND NORTH KOREA WAS PREVIOUSLY BASED
ON THE OFFICIAL RATE AND HENCE THE CURRENCIES OF THESE
COUNTRIES WERE NOT AFFECTED.

3. REVALUATION WAS ROUTINELY ANNOUNCED IN EXCHANGE
RATE TABLE PUBLISHED BY THE BULGARIAN FOREIGN TRADE
BANK. AS A RESULT OF THE REVALUATION OF THE LEV, THE
EFFECTIVE DEVALUATION OF THE DOLLAR TO LEVA COSTS IS
APPROXIMATELY 24.5 PERCENT, I.E. THE SAME LEVA EXPENSE
BEFORE THE REVALUATION AS AFTER WILL NOW REQUIRE
ALMOST 25 PERCENT MORE DOLLARS TO COVER. THE SLIGHT
DIFFERENCE IN THE OLD AND NEW OFFICIAL EXCHANGE RATES
HAS BEEN EXPLAINED BY BULGARIAN BANKERS AS RESULTING
FROM THE PREVIOUS POLICY OF ROUNDING OFF
"FOR CONVENIENCE SAKE." THE OFFICIAL RATE IS CALCULATED
FROM THE PAR VALUES OF THE LEV AND THE DOLLAR IN GOLD.
THE VALUE OF OTHER WESTERN CURRENCIES TO THE LEV IS
BASED ON THE RELATIVE VALUE OF THESE CURRENCIES TO THE
DOLLAR AS CALCULATED AT THE FIRST OF EACH MONTH.

4. THE REVALUATION DOES NOT COME ALTOGETHER AS A
SURPRISE (SEE REFTEL). BULGARIAN BANKING OFFICIALS
PREVIOUSLY EXPRESSED CONCERN ABOUT WESTERN
INFLATION, AND LAST YEAR'S DEVALUATION WAS DIRECTLY
ATTRIBUTED TO KEEPING A RELATIVE PARITY BETWEEN THE
PURCHASING POWER OF THE LEV AND WESTERN CURRENCIES
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AND TO PREVENT INFLATION IN BULGARIA. LAST YEAR'S
REVALUATION DID NOT AFFECT BULGARIA'S BURGEONING
TOURIST INDUSTRY BECAUSE PACKAGE TOUR PRICES REMAINED
ROUGHLY THE SAME IN THE WEST. IT REMAINS TO BE SEEN,
HOWEVER, WHETHER THE BULGARIANS WILL CONTINUE TO HOLD
PACKAGE PRICES DOWN AGAIN FOR NEXT YEAR'S TOURIST
SEASON IN ITS EFFORTS TO CONTINUE TO ATTRACT THE LOW-
BUDGET TOURIST. AS THE LEV CANNOT BE LEGALLY EXPORTED

AND IS NON-CONVERTIBLE, THE REVALUATION WILL HAVE LITTLE
IF ANY EFFECT ON BULGARIA'S FOREIGN TRADE.
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